

Weekly Economic Review

Oil production continues to grow

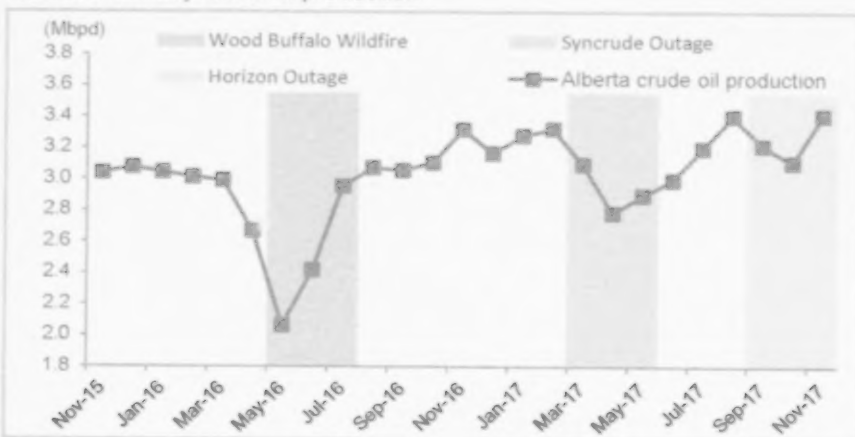
Crude Oil Production

Returning synthetic production lifts output

Crude oil production jumped in November as synthetic crude returned online following maintenance-related outages. Alberta's crude oil production increased by 9.8% month-over-month (m/m) to reach 3.4 million barrels per day (Mbpd) (Chart 1). The monthly gain was led by a 20% m/m gain in synthetic crude as maintenance

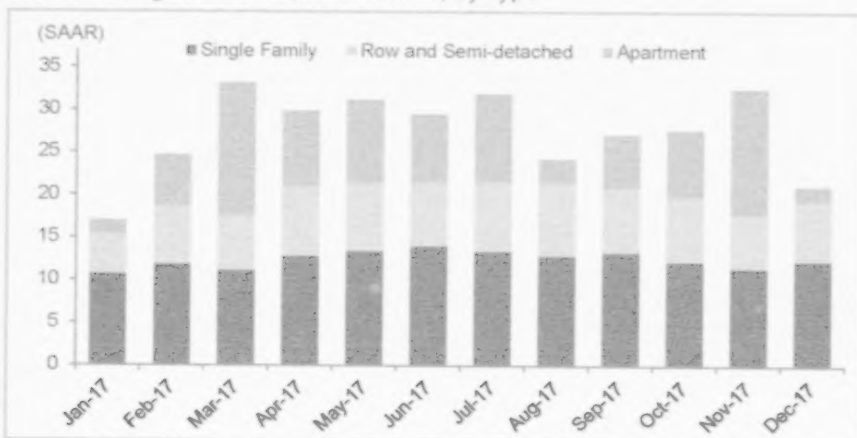
was completed at CNRL's Horizon project in mid-November. Bitumen production was also up (+6.4% m/m) after a pause in the previous month, while conventional output rose for a third consecutive month, lifted by heavy oil. Compared to a year ago, crude oil production increased 2.8% supported by rising bitumen production (+11% year-over-year or y/y) and recovery in conventional oil (+13% y/y). Despite the monthly rebound in synthetic crude production, it was down by 12% from the high reached a year ago due to the lost production at Horizon along with production reductions at Shell Scotford and Syncrude.

Chart 1: Oil production fluctuates with outages
Alberta's monthly crude oil production



Source: Alberta Energy Regulator

Chart 2: Housing start pull back as apartment starts fall
SAAR housing starts in 10,000+ centres, by Type



Source: Canadian Mortgage and Housing Corporation

Building Permits

Commercial permits improve
Construction intentions in Alberta bounced back after a dip in the previous month. The value of building permits rose 26% m/m to total \$1.3 billion in November, reflecting higher residential and non-residential permits. Residential permits jumped 15% m/m with gains in Calgary offsetting a decline in Edmonton. Non-residential construction intentions were also up 42% m/m, as commercial building permits surged (+83% m/m) from a six-year low in the previous month and institutional and governmental building (+103% m/m) permits also rebounded. Meanwhile, industrial building permits pulled back from a three-year high. Despite the monthly bump, the total value of building permits remains down 6.4% year-to-date, weighed down by weaker commercial permits.

Housing Starts

Housing starts dip
Housing starts took a step back in December. They dropped 33.2% m/m to a seasonally adjusted annual rate

(SAAR) of 23,104 units (Chart 2). The monthly decline was led by a sharp pullback in the volatile multi-unit starts, while single starts improved after two monthly declines. The slowdown was most pronounced in Calgary (-53.2% m/m) while activity in Edmonton (-15.3% m/m) and other urban centres (-11.0% m/m) also retreated. Despite the setback, strong gains throughout the year propelled housing starts to total 29,457 units in 2017, up 20% from last year, with all types gaining ground.

New Housing Price Index

New home prices edge higher

After being directionless for 2016 and 2017, prices of new homes in Alberta are moving higher. Alberta's new housing price index (NHPI) ticked up 0.1% m/m in November and was up 0.4% y/y. Prices have improved recently as ongoing gains in land prices have been joined by a recovery in the house-only component, which rose at the fastest pace since April 2015 (Chart 3). While the house-only component has continued to increase in Calgary (+0.7%y/y) after hitting a low in May, it also moved higher in Edmonton (+0.1% y/y) after 17 months of declines.

Business Formations

Ease in the second half

More businesses set up shop in the province following declines in the three previous months. There were 3,401 new businesses formed in Alberta over the three-month period ending in December, 3.8% higher than in November. After making big strides in the first half of the year, business formations moderated in the second half of the year, easing 1.6% from last December. Despite the softness, the total number of formations in 2017 have rebounded 6.2% to 42,592 from the previous year.

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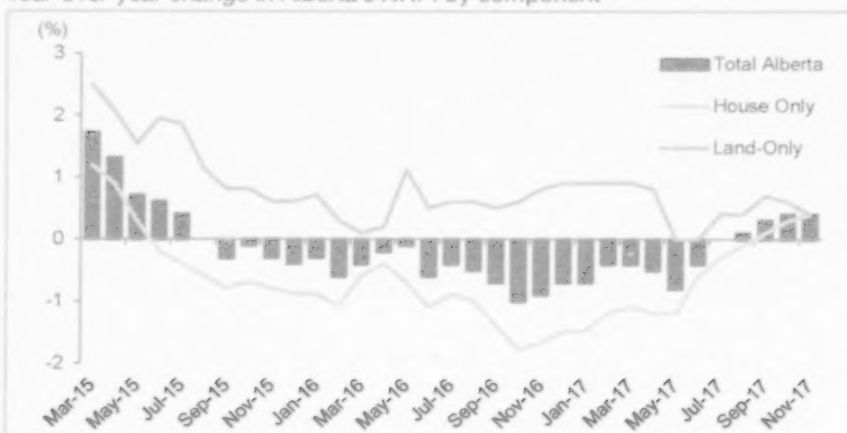
Please see the [Alberta Economy - Indicators at a Glance](#) for a snapshot of Alberta indicators.

Business Outlook Survey

Canadian business sentiment rebounds

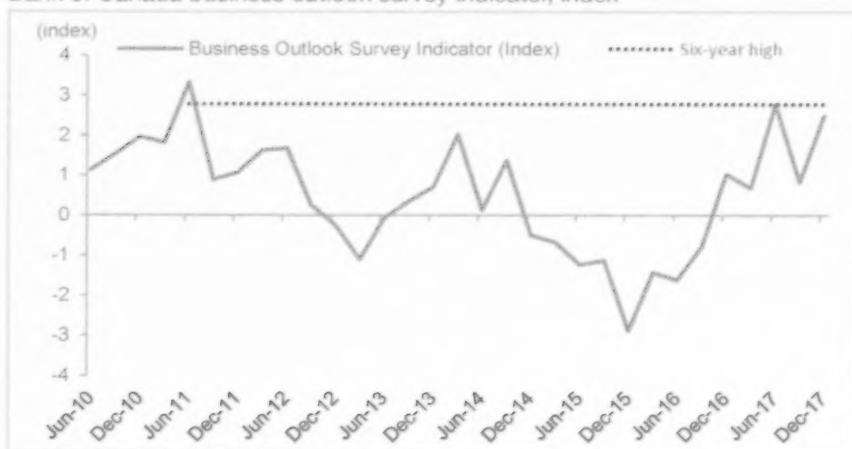
Canadian businesses are more optimistic heading into 2018, according to the latest Bank of Canada business outlook survey. Business sentiment rebounded in the fourth quarter of 2017 and was near the six-year high posted in the second quarter of 2017 (Chart 4). Expectations of future sales growth moderated in the quarter but remained positive and businesses have broadly increased both their investment and hiring intentions, largely reflecting strong demand and production capacity constraints. Hiring intentions grew in the service sector and in central Canada, while they softened in the Prairies. At the same time, investment intentions increased across all regions and sectors and were near a post 2008/09 recession high.

Chart 3: NHPI increasing with recovery in house-only component
Year-over-year change in Alberta's NHPI by component



Source: Statistic Canada

Chart 4: Canadian business sentiment near the six-year high
Bank of Canada business outlook survey indicator, index



Source: Bank of Canada